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VICE PRESIDENT
R. E. LASATER
VICE PRESIDENT
C. W. HARRIS
VICE PRESIDENT
M. E. MOTSINGER
SECRETARY

S. CLAY WILLIAMS
CHAIRMAN BOARD OF DIRECTORS

DIRECTORS

W. N. REYNOLDS
CHAIRMAN EXECUTIVE COMMITTEE

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MGR. TURKISH LEAF DEPT.
R. C. HABERKERN
PURCHASING AGENT
L. F. OWEN
TRAFFIC MANAGER
R. D. SHORE
TREASURER
J. C. WHITAKER
MGR. EMPLOYMENT DEPT.

R. J. Reynolds Tobacco Company

WINSTON-SALEM, N. C.

January 14, 1937.

To the Stockholders of
R. J. REYNOLDS TOBACCO COMPANY:

There is submitted herewith the Financial Statement of your Company at December 31, 1936.

Net Earnings for the year 1936 amounted to $29,253,135.04, or $2.92 per share, compared with $23,896,397.72, or $2.38 per share for 1935. Provision has been made for depreciation, taxes and all other charges on the basis consistently followed by the Company in former years. Cash dividends of $3.00 per share were paid in 1936 as in each of the six preceding years.

The financial condition of your Company is set forth in the accompanying statement and is presented on the same conservative basis as in former years. Net current assets at the close of the year were $117,600,608.28 compared with $117,851,888.54 at December 31, 1935. The Company's liabilities consisted entirely of accounts, accruals for taxes, etc., not due. It has no outstanding bonds or preferred stock, and its well-known and valuable Brands, Trade-Marks and Good Will are carried, as formerly, in the Financial Statement at the nominal sum of $1.00.

The item in the Financial Statement which includes the leaf tobacco inventory is $16,198,767.19 larger than in 1935 and reflects substantially higher prices paid farmers for leaf tobacco. The cost of leaf tobacco used in the manufacture of the Company's products has been at an increasingly higher figure each year for the past three years, and, during that same period, the Company's requirements of leaf tobacco for meeting the expanding volume of its principal brands, including CAMEL Cigarettes and PRINCE ALBERT Smoking Tobacco, have been becoming steadily larger.

In connection with recent published comment as to increase in cigarette production in this country, particularly within the past year, and other comment as to potentialities for further increase, the trend of cigarette consumption in the United States is interesting as shown by figures from the U. S. Government Bureau of Internal Revenue representing tax-paid withdrawals of standard-sized cigarettes in the following years:

1914 — 16,499,799,000	1931 — 113,962,679,000
1919 — 44,771,719,000	1932 — 102,781,354,000
1924 — 70,950,827,000	1933 — 111,602,329,000
1929 — 118,598,229,000	1934 — 125,719,858,000
1930 — 119,232,895,000	1935 — 134,607,739,000

1936 (Estimated) 150,000,000,000

By reason of the continuing increase in the number of the Company's stockholders in recent years, the total number now being in excess of 55,000, it has been found that the time between the respective dividend record dates and the corresponding dividend payment dates as fixed by the By-Laws at the first days of April, July, October and January is not sufficient for proper preparation of dividend records and dividend checks. Accordingly, hereafter, the record dates for the respective quarterly dividends will be the fifth days of March, June, September and December, and the Directors' meetings for consideration of the respective quarterly dividends will be held on the third Thursdays in February, May, August and November. The dividend payment dates remain unchanged.

Jas. A. Gray,
President.